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COMMODITY-PRODUCING ACTIVITIES AND SERVICE TRADES

BY DR PER JACOBSSON

In the number for April 1946 of this Quarterly, Dr Elis Håstad examined the interesting question of the growth in the number of salaried employees in public services, industry and elsewhere, noting, at the same time, the even wider problem of a shift in the proportion between manual and non-manual workers, in favour of the latter. Special attention was paid to the social and political implications, including the efforts to "deproletarise", or raise the standard of living of all kinds of workers. It may be of interest to add to the observations made by Dr Håstad that within the employee class itself some important changes are taking place. Thus, in one country in Europe it was recently found that those who sought to enter the lower grades of the civil service tended to be rather inferior in intelligence and other qualities to the applicants of some ten or twenty years ago. In reply to an enquiry, several young persons explained that they preferred, on the whole, employment in private enterprise, where they would in many cases obtain very much the same security (including the right to a pension), as was offered by government service but, in addition, a greater chance of promotion provided that they worked hard and showed initiative. This is a modern development but one which may have an important influence on the relative efficiency of public and private enterprise.

In this article we are concerned with a different aspect of economic growth, viz. *the distribution of employment as between "commodity-producing activities", on the one hand, and the so-called "service trades", on the other.* The two main activities for the production of commodities are agriculture and manufacturing, others being forestry, fishing, extraction of minerals and construction of all kinds. The service trades include all transportation and public utilities, finance, public service, professional service and amusements, as well as domestic and personal service.

When we talk of the volume of production in a country, we are usually inclined to refer rather one-sidedly to the output of commodities as measured, for instance, by the indexes of industrial production. Perhaps we remember, in a general way, that there are more shops, more doctors and dentists, more hotels and restaurants (ready to cater, inter alia, for holiday requirements), more intense traffic on the railways and a closer network of omnibus lines; but in thinking of employment, emphasis is still generally placed primarily on manufacturing, agriculture, mining and the building of houses. A few figures, however, will suffice to show how necessary it is in this respect to revise our customary mode of thinking. It is a commonplace that with increasing real income per head the demand for services becomes relatively greater. Mr Colin Clark, the well-known British statistician and economist, has calculated that for the very poorest countries an absolute minimum of 15 per cent. of the working population must be engaged in what he calls "tertiary industries", by which he means practically the same occupations as are known under the name of "service trades". For wealthier countries the percentage rises quickly and Colin Clark believes that in 1937 the value of the output of "tertiary products" in the United States was about two-thirds of the whole real income, a figure which would seem to be on the high side, however. Estimates prepared by Daniel Carson and submitted to the Conference on National Income and Wealth of the National Bureau of Economic Research in New York reveal an astonishing change-over in the distribution of the labour supply between 1870 and 1940, as may be seen from the following table.

Percentage Distribution of the Labour Supply of Commodity-Producing Activities and Service Trades 1870, 1900 and 1940

	1870	1900	1940
1. Commodity-producing activities:			
Agriculture	52	38	17
Manufacturing	17	21	23
Others	6	9	9
Total 1	*76*	*68*	*49*
2. Service trades:			
Commerce	6	9	13
Others	18	23	38
Total 2	*24*	*32*	*51*
Grand total	**100**	**100**	**100**

The service trades occupied in 1870 less than one-half of those employed in agriculture but in 1940 three times as many. Even if the proportions given in the table are necessarily subject to a considerable margin of error, there can be no doubt about the general trend, the main significance of which has already been indicated: a high percentage of employment in service trades reflects a high standard of living. As any traveller can notice, the better off a nation is, the greater is the variety of shops, the more numerous the cafés and restaurants, the more alluring the places of amusement and the more elaborate the beauty parlours. There are opportunities for employing free time in ways wholly unknown a generation ago and, in addition, there are all the decorative trades as well as the increased remuneration for literary and other artistic work. With high real wages the use of personal services becomes rather expensive, and distinctly so in comparison with the general run of commodity prices. A European settling in the United States soon finds that food and most ready-made articles (including radios, automobiles, etc.) are relatively cheap, while services of all kinds, including ordinary repairs, cost considerably more than in Europe. For persons who are expected to live in a certain style, as, for instance, diplomats of different grades, Washington is a truly expensive city, while an industrial worker, especially in a smaller American town, will be able to buy most of the things he wants at a lower price than in Europe, even if the dollar is calculated at the par rate of exchange. As far as he is concerned, the purchasing power of the dollar is probably quite up to the par rate of Swedish kr. 3.60 = $ 1, while the diplomat (to keep to the same example) may only get the actual value of Kr. 2 for his dollar. Since merchandise trade is by far the most important item in the accounts between nations, the prices of commodities are more likely than the cost of services to influence relative currency values, *i. e.* the rates of exchange. But services are gaining in importance even internationally, as witnessed by the rôle in the balance of payments of such items as earnings from shipping, tourist traffic and international banking services. In the future — even more than in the past — European countries may be able to attract tourists from overseas because of the relatively moderate cost of services as compared with the amount which, for instance, an American may have to spend in his own country for a correspondingly agreeable holiday.

The establishment of heavy industries has often little direct *bearing on the welfare of a country,* for the products of these industries will not supply "what women buy in shops" to meet the needs of the various members of the family. Light industries with an output of consumers' goods no doubt contribute more directly to the general welfare. A further step is represented by a growth of service trades, and such growth presupposes a shift and re-education of the people, and this means a structural change that cannot be brought about rapidly. The greater the effectiveness of machines, the more persons will be set free for the rendering of services and the more the human element will come into play. The machine may thus lead humanity back to itself, relegating all repetitive movements to execution by automatic devices. This opens a prospect directly opposite to that feared by Samuel Butler in his famous book "Erewhon", in which he told us that the machine would be the master of the man. The Liberation of man by the machine seems a state of affairs much too good to be wholly attained, but the consequence will not be a virtual disappearance of work.

On reading the writings of the so-called "technocrats", one becomes imbued with the idea that by a quicker revolution of the wheels of bigger and better machines it will be soon possible to reduce working hours to 10 hours a week or even less. But attention is, as a rule, concentrated too exclusively on commodity-producing activities, with a more or less complete neglect of the increasing part played by services in modern society. Among the service trades, the field of distribution is certainly capable of rationalisation but it is open to question how far a process of rationalisation can go without inconveniencing the customer who, with an increase in income, appears to be willing to pay liberally for the advantages of personal attention. Care of children, catering for the sick and aged and not least the ministrations of doctors cannot be carried out in a hurry. If the art of cooking, service in restaurants, tailoring and similar tasks are rushed, the result will usually suffer. When it comes to journalism, public administration, politics and the forms of other service involving direct dealings with the public, the hours of the day often seem to fly only too quickly for the matter in hand. Here are vast fields in some of which there is little possibility of any reduction in working time, since those who want to make a real contribution are bound to utilise their last ounce of strength.

Economic life may be likened to a series of communicating vessels: a change in one container must necessarily be related to changes in the others. The installation of more effective machinery will bring down the proportion of those occupied in mining and manufacturing but will, on the other hand, increase the relative numbers of those employed in the service trades. More and more households may have to get on without domestic servants, but there are likely to be more "community nurses", looking after the children of (say) a whole house and not only replacing the family nurse of the past but helping mothers who in earlier days would have had no such help at all. A further increase in kindergartens will be a similar development along useful lines. From the point of view of social welfare, these are important changes; and, with particular regard to employment, it is likely that distribution and some other branches of the service trades will continue to absorb greater numbers — not forgetting public administration — but this is a field in which, after the expansion in public bodies during the war, thorough rationalisation is clearly needed.

Since the early days of the machine age, there has been a *fear that unemployment caused by the introduction of labour-saving methods in a particular branch would not be eliminated by increased work in other fields.* The professional economists have usually taken an optimistic view, insisting that a growth in effective demand will provide sufficient scope for new enterprise. Historically, the economists have been right, for great progress has, after all, been achieved, although often by fits and starts, but they often omitted to analyse the conditions under which the continuous changes in the economy could be effected with the least friction and thus with the least amount of hardship for those who would be affected by a temporary decline in activity. As an example, it may be mentioned that economists often ignored the question in what way an expansion in the volume of monetary purchasing power could best be achieved, in that they often relied too trustingly on the gold standard to bring about an adequate balance. It was also often taken for granted that workers would move with little delay from one branch of economic life to another. As a partial defence for the economists it must be admitted that while the population was growing rapidly, equilibrium could usually be restored by the action of the newcomers to the labour market, who would avoid the waning and enter the expanding trades; when the growth in population slowed down, however, or even ceased, the situation was different: then it might be necessary for trained workers to be transferred from depressed industries to wholly new employment — possibly from factory work to some service trade — and such transfers present quite another problem. Government action might be needed to assist in the process of redistributing enterprise and resources. But it should be noted that even so, the movement should be in the same direction as that which free and frictionless competition would require. The purpose of the intervention would not be to destroy the laws of a competitive economy but rather to fulfil those laws in their true spirit.

To secure a smooth transfer of productive power, *a high degree of flexibility* is needed. It is, therefore, important that the greater measure of "security" now offered by private enterprise to its employees should be so planned as not to stand in the way of a possibly necessary shift in economic resources.

Many statistical examples can be given to illustrate the growing importance of the service trades. Between 1934 and 1938 the writer of these lines was a member of an Irish Banking Commission which had to report also on the general state of the country's economy. The de Valera Government, which was then and still is in power, was anxious to establish a whole series of industries for the sake, inter alia, of providing increased employment at home for Irish men and women. It was obviously out of the question to build up, in Ireland, an industry for the manufacture of motor cars, but the import duties were so differentiated as to ensure an assembly of parts on Irish soil, the result being, however, a substantial increase in the price of the vehicle. In the autumn of 1935 the total employment given by coach and wagon building, assembly and construction of motor vehicles and assembly of cycles in the Irish Free State was about 3,300, while the number which found employment as drivers of vehicles and in garages came to more than 15,000. Suppose the price for a motor vehicle was so high as to hold back an expansion in the use of motor cars and lorries, the consequence might easily be not more but less employment, more being "lost on the roundabouts than gained on the swings".

People are often unduly impressed by large concentrations of employment in factories having thousands of workers, overlooking the dispersed employment in many service trades. It is true enough that even among these trades some large units may be found, for instance, on the railways; it is, then, particularly interesting to note that precisely in the field of transport a dispersal has taken place through the automotive development. Among the drivers of cars and lorries and the garage men, many are their own masters, being no longer proletarians but at least to some extent owners of property. Surely this is a development well worth watching not only from an economic but also from a social and political point of view.

ATOMIC ENERGY AND ECONOMIC PROGRESS

BY JOSEF EKLUND, GEOLOGICAL SURVEY OF SWEDEN

Man exists by his capacity of utilizing the available sources of energy. So do all living organisms but, contrary to plants and animals, man is not restricted to the supply of any given type of energy. Through the knowledge that has been collected, he can increasingly avail himself of the unlimited supply of energy of the universe.

This knowledge is the prime factor allowing the population of the world continually to increase. A plant or animal species only increases its stock to a given point, at which equilibrium arises and birth and death rates are equal. Man, however, by his research, taken in the widest sense, constantly removes this limit so that an excess of births, an increase in population, can take place.

As the birthrate of the majority of the world's population is near the physiologically possible limit, the increase of the world's population depends now chiefly on a reduction of the death rate. Mankind's knowledge of and capacity of availing itself of the inexhaustible sources of energy, is, however, still so imperfect, that it is not possible to keep more than a small part of the children born alive till they reach maturity. In those countries, where the death rate has been lowered so much, that it is approaching the physiological lower limit, as in North Western Europe, North America and Australia, the birth rate must be lowered so that the increase in population corresponds to the increase in the supply of usable energy.

The Economic Importance of Coal.

Nothing has meant as much as coal for the improvement of mankind's living conditions. Its first important use was for domestic heating in cities in the temperate zone, its second for the production of iron and its third for the production of power, firstly for the mines, then for industry and lastly for communications. Coal's unique position is that the supplies are nearly inexhaustible (at the present rate of mining they would last 5.000 years), that it is easily transported and that there is a considerable difference between the amount of energy in coal that consumers can extract and the energy necessary for its mining and distribution.

Coal was definitely the dominating source of energy, from the time when it surpassed wood fuel (which happened sometime near the end of the 19th century) to the beginning of World War I, when the production of petroleum and electricity from water-power began to assume large proportions. Coal still covers more than half of the world's supply of energy. Neither oil nor water-power can become as important as coal, as the supplies are much smaller. It is actually probable that in the future, when the petroleum wells begin to run dry, liquid fuel must be produced from coal, to a much greater extent than is now the case. As to water-power, the energy content of the possible yearly production of electricity by all the world's waterfalls and regulated rivers is not even half of the energy content of one year's coal production at the present rate.

The production of coal, which before 1914 doubled every 15—20 years has since remained almost constant, while that of petroleum and water-power has continued to increase. Hereby, and through a better utilization of coal's fuel value, both for heating houses, for the production of electricity and in industry, it has been possible to increase the consumption of energy at the same rate as before, without an increase of the coal production.

Cessation of the Increase in Coal Production.

The cessation of the increase in coal production was caused chiefly by the social revolutions which were the result of World War I. Miners had usually been better paid and their working hours had been shorter than those of workers in factories, the latter often being worse off in regard to hygienic conditions than the mines. By improvements in factory workers' terms, this relationship was changed so that the mines received, from the social point of view, workers from the lowest categories. For foreign workers, however, mining usually meant a social advance compared to the conditions in their own backward countries, but when immigration stopped, this labour was gradually also assimilated and began to demand higher wages or left the mines. For instance, in France the percentage of foreign workers in 1905 was 6 per cent., in 1913 8 per cent., in 1920 16 per cent. and reached a maximum in 1927 with 42 per cent. to fall to 33 per cent. in 1938. The figure is now 38 per cent., but nearly half represents German prisoners of war. If France can not import labour from elsewhere, the production of coal, which now, thanks to the prisoners of war, is higher than before the war, will fall.

The increase in the cost of labour in the U. S. A. caused the price of coal to double during World War I. This increase in price promoted the transition firstly to oil fuel and afterwards to the use of natural gas as fuel. The price of coal in Europe, on the other hand, soon went back to the prewar price, chiefly because of cheap coal from the new Poland. The closing of the U. S. A. to Eastern-European immigrants, to a certain degree, gave Europe cheap and the U. S. A. expensive coal. Oil as fuel, on the other hand, did not have any greater importance in Europe during the inter-war period, except for shipping, and there are no larger supplies of natural gas in Europe, at least not in the highly industrialised districts.

The increased need of energy was satisfied by an increased utilization of water-power, by an increased highly mechanised mining of lignite and also by an improved utilization of the energy content of coal. The latter took i.a. the form of a transition from coal to coke fuel for domestic heating, of long-range distribution of gas from coke ovens and also of a considerable improvement in the fuel economy of the coal-power plants.

Like the first world war, the second caused a coal crisis. The fall in the return of labour was repeated inspite of increased wages and increased working hours, except in the United States, where the increase in production was considerable. The difference between miners' and factory workers' terms grew, however, and, perhaps chiefly for psychological reasons, could not be equalized inspite of the fact that all sorts of advantages, chiefly larger food rations, were granted miners. The circumvention of these difficulties was sought in more opencast mining, but the cost of the surface coal was considerable as the best districts had long ago been mined. Countries without coal, like Sweden and Switzerland, hastened their erection of new water-power plants.

The production of petroleum continued to increase. More and more districts round the Persian gulf, which, as far as can be judged, contain the world's largest petroleum reserves, were organized for large-scale production. Considerable new discoveries were made in Northwestern China and along the Andes' Eastern slopes. On the other hand, it seems that discoveries in the Sovjet Union have not been considerable. The new five year plans assume a remarkably small increase in the production of petroleum, which would seem to imply that earlier estimates of the supplies of petroleum in the U. S. S. R. have been exaggerated. In the United States, the production for the first time exceeded the new discoveries, in spite of the fact that exploration was increased to the utmost.

The investigations of petroleum and water-power supplies during the war have, however, on the whole shown that these are larger than was previously estimated but that they are also small compared to the supplies of coal. It is possible, that the unavoidable stagnation in the production of petroleum will already take place within the next decades and that the water-power within reach of the highly industrialised and densely populated districts in Europe, North America and Japan will be almost completely utilized. In any case the reserves are small compared to the need.

The position at the time of the beginning of atomic energy is therefore that the sources of energy in the highly industrialised districts of the world are utilized to a limit, where an increase in costs which would check progress, is beginning to make itself felt. This increase in costs has started with coal, due to the rise of mining costs, even though the reserves are more than sufficient. During the 1920's and 1930's this increase was counteracted by fuel saving measures, by cheap petroleum and water-power. These factors are indeed still in force but their effect has culminated and this time they cannot, like after the first world war, compensate the jump in the price of coal which has taken place during this war.

The Age of Atomic Power Plants.

The birthday of civil atomic power can perhaps be taken as the occasion when the first official figures on the cost of an atomic power plant were published, which was at the American Chemical Societies Annual Meeting on the 12th of September 1946. It was stated that such a plant of 75,000 kW, driven by a uranium-graphite pile of Hanford type, could produce electricity at a cost of 0.8 cent, or somewhat less than 3 öre per Kilowatthour. The cost of coal power at a plant on the East coast of the United States was 0.65 cent per kWh., at the prevailing price of coal, $ 7 per short ton at the plant. But at a coal price of $ 10 or 40 kronor per metric ton of coal, atomic power would be equal in price to coal power.

A coal price of 40 kronor per ton for the consumer was already reached during the 1930's in Switzerland, which, on account of its inland position, could not take advantage of the competition between British and Polish coal. As is known, the price of coal is now much higher in the whole of Europe and the prospects for its falling below 40 kronor are very small. Poland, which after the last war more than any other country contributed to bringing back the price of coal to its prewar level, has already signed a long-term contract with the Sovjet Union on the basis of $ 10 per ton. By the readjustment of the Eastern frontier, Poland is no longer able to count on cheap Galician workers and in any case the competition for labour in Poland will be great. The price of pit head coal in the U. S. A. in September 1946 was $ 3.50 per ton. It remained at about the same level since the doubling of the price during the first world war. It is not excluded that a similar increase will be the result of the last coal strike, through which the price of coal would reach $ 10 for most consumers in the U. S. A.

One of the most important conditions for atomic power, if it is to play an important part in the world's production of energy, is of course, that there is sufficient raw material from which energy can be produced at a reasonable price. As far as is yet known, it is only uranium which can be taken into consideration, at least for use in peace time, and uranium's position as the last element in the periodic system, makes it also theoretically superior to other elements, thus also to torium.

The first nuclear reaction, from which energy could be extracted, was the fission of U235, which, however, constitutes only 0.7 per cent. of natural uranium. The fission of 1 kg. of U235 gives the same amount of energy as the burning of about 3,000 ton coal or 2,000 ton oil. One year's prewar production of uranium only contained a few tons of U235. Inspite of uranium's high "fuel value", this would only correspond to one per cent. of the simultaneous coal production, and the known deposits of uranium do not allow any appreciably higher production. It was therefore an important advance when it was found that uranium's main substance, U238, could be turned into a fissionable substance, the transuranian plutonium. This transmutation takes place in piles of uranium and graphite (heavy water can also be used) when the neutrons, which are formed by the fission of U235 are absorbed in U238. If the plutonium thus formed is not removed from the pile, for example for the making af atom bombs, it will replace the U235 and through its own fission produce new plutonium from U238, which in this way is used up while yielding the same energy as U235. In the same way torium can be changed to splittable U233, but it is not possible to start a pile with torium but only with U235.

On account of the large quantity of energy, which through plutonium, can be obtained from one kilo natural uranium, at least theoretically as much as from 3,000 ton coal, the price of uranium is not of great importance for the cost of atomic energy. This is of importance for two reasons; firstly, because uranium is easier to use than torium, which seems to be less rare than uranium, and secondly, because the quantity of uranium which can be obtained at the prewar price (about 20 kronor per kilo) is much too small for uranium to become an important source of energy.

If it is possible to utilize uranium ore of poorer quality than was the case at the prewar price, the supplies increase rapidly. The already mined deposits, with 0,1—1 per cent. uranium content, are estimated to contain about 50,000 tons uranium. This corresponds to no more than two per cent. of the coal rescources. All these deposits have previously been mined for radium (the relationship of Ra to U is as 1 to 3 million). In view of the very intensive prospecting for radium, ever since its discovery in 1898, the prospects of new large discoveries of rich ore are small.

Large Deposits of Uranium also in Sweden.

There are, however, very large supplies of uranium contained in the black pyritic shales which have been deposited in the oceans and have concentrated the uranium of the sea water, from some milligrams per cubic meter to some hundred parts of one per cent. in the richer shales. Such rocks are already known in the U. S. A., Soviet Russia, Sweden, Norway, Denmark, Czechoslovakia, Germany, Belgium and France, an it is possible that they can be found in practically all countries. In Sweden alone the quantity of uranium in shale, of 0.02 per cent. U amount to a million ton, and deposits in the U. S. A. and Soviet Russia are of the same size. A large number of these rocks are oil shales, others are rich in vanadium and they are usually easily mined. It is probable that a very large part of the shale uranium can be extracted at a price of 200 kronor per kilo or in any case at a price which has no special importance for atomic energy's competitive power against other sources of energy.

Shale uranium, therefore, is an almost inexhaustible source of the raw material for atomic energy, so that it can be made equal to coal and in many cases even surpass it. Such a substitution is really necessary if an unproportionally large number of the world's population is not going to be forced down into coal mines. Petroleum and water-power can not improve the coal situation in densely populated and important energy consuming districts of the temperate zone, which, together with shipping, will probably be the first to use atomic energy.

Atomic energy has already made history but its real importance, namely to make possible an improvement of mankind's standard of living, is only just beginning. In a time of great need, this new source of energy is being developed by a research unparalleled in history.

Atomic energy is pre-eminently the product of humanity's aggregate knowledge. It will be found that nearly every country has played a part in its origin and development. The large uranium deposits in shales were first demonstrated by a Swede, A. E. Nordenskiöld, and the production of shale uranium started in Sweden already 1894. Sweden's particular contribution may be to develop this source of raw material for atomic energy.

THE WAGE LEVEL AND THE PROBLEM OF MONETARY STABILIZATION

SOME REFLECTIONS BY DR ANDERS ÖSTLIND

The connection between efficiency of production and monetary stabilization was, during the interwar period, the object of intense discussion among economists. When production is continually becoming more and more efficient, a stable monetary value is the same as a hidden increase in prices. In Sweden, Professor Davidson already in 1899 was arguing that in times of speedy technical progress the price level should fall in relation to the increase in efficiency, not least because all classes of the population — including also the rentier class — would then automatically obtain their "due" share in the fruits of progress.[1]

However, the actual problem has acquired another character in those countries where a powerful and large-scale Trade Union Movement has grown up. There the wage level cannot be expected to remain constant, which is a general condition for the price level to develop according to Davidson's theory. The implication is not necessarily an increase, on long term, of the monetary wage level. How the wage level develops will depend, among other things, on the course of business cycles and labour market conditions.

In Sweden during the years immediately after World War I a lively discussion took place about the methods to be used in an attempt to stabilize the value of the currency. The Swedish economists at that time were sceptical as to whether the gold standard was a suitable means to secure stabilisation. But Professor Wicksell was the only one, who on this account definitely opposed a return to the gold standard. Wicksell thought that the requisite conditions for the gold standard had in fact been changed since the time before the War. "The value of gold", wrote Wicksell in 1922, "is like wax in the hands of the Federal Reserve Board of the United States, over which we have no control."[2]

The world's monetary system is today in the melting pot as it was twenty-five years ago. And Wicksell's pronouncement, quoted above, still contains a grain of truth, in spite of the fact that the value of gold in relation to commodities is not really dependent on the measures taken by the Federal Reserve system, but rather on the developments on the American Labour market, as long as the dollar's gold value remains constant. The American monetary wage level should now be accorded a special position among the factors determining the purchasing power of the dollar (and gold) against commodities in the long run.

Now that the American labour movement has increased in strength and the American labour market has become rather European-like, a new factor has been introduced into the world's monetary system. All those countries, which want to keep the value of their currency steady in terms of dollars, must now regard the development of the American wage level as an economic factor of great importance. It will hardly be possible for a country to keep its dollar exchange rate relatively steady over any longer period of time, if its own wage level — after adjustment for differences in efficiency — develops too differently from the American wage level.

In fact there is not at the moment any satisfactory guarantee that the value of the currencies in the United States and in Western Europe will be maintained in the long run. We have to consider the possibility that, in Western civilization, the next decades will be characterized by erratic and possibly far-reaching changes not only in the general wage level and the purchasing power of money, but also in the relationship between different sectional markets with regard to wages and prices. In this connection there is one element which demands special notice, viz. the increasing degree of monopolization that nowadays is a prominent feature of labour and commodity markets in several countries. Many consider free competition incompatible with a planned economy. But a number of arguments can also be mustered to support the opinion that in a democratic community the economic development may in certain respects become more capricious and unpredictable, when free competition is restricted by the formation of labour and producer organizations. Anyhow, this seems to be the case when the measures taken by these organizations are in no way co-ordinated. In such a community the economy loses part of its adaptiveness, among other reasons because the different organizations constitute a serious obstacle to the movements of the production factors between different spheres of economic activity.

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[1] Cf. Davidson's review of Wicksell's "Geldzins und Güterpreise" in Ekonomisk Tidskrift of 1890.

[2] Svensk Handelstidning February 17, 1922. Cf. also Östlind: "Svensk samhällsekonomi 1914—1922," p. 326 ff. At the time of Wicksell's pronouncement, the United States were the only important country on the gold standard.

Wage and price formation may easily become capricious in a community where competition is limited by organizations on the side of both employees and producers. The various organizations' capacity of securing advantages for their members depends on several special conditions, which often lack any closer connection with the members' average level of education, efficiency or initiative. In certain key trades, where the possibilities of making the consumer pay high prices are exceptionally great, both the firms and the employees can secure advantages, if they only utilize their position without scruples. Of decisive importance is often the possibility of maintaining an effective control over the opening of new enterprises and of limiting the entries to a special profession, and also of course the character of the commodity or service and its importance in the eyes of the consumers, the existence of substitutes, the degree of foreign competition, etc.

In certain trades, where special requirements must be placed on the workers' education, talents, physique etc., it is often possible for an efficient trade union to secure disproportionately large advantages for its members, especially if craftmanship must be authorized before a person is received into the guild. It is much easier for the employees to obtain high wages, if their work is essential to production while its costs are small in relation to the total production costs for the employers. One might foresee a revival of guilds in the form of exclusive trade unions for experts in different spheres and with great striking power in wage bargaining. A foretaste was given by the Air Line Pilots' Association at Trans World Airlines in the United States, whose members went on strike to get the earnings of Captain pilots increased to about $ 1,200 a month.

As the production process gradually becomes more and more complicated, the experts can be expected to strengthen their position not only in relation to the "capitalists", but also in relation to the labourers and the untrained office workers. The experts' ascent on the wage scale has indeed been made more difficult — but has hardly been prevented — by the increase in progressive taxation during recent decades. It is generally known that in Sweden distinguished experts now take the progressive taxation into consideration when determining their fees, and that this attitude is often understood and respected by their clients. What this means is easily grasped, when it is mentioned that already at incomes of moderate size for experts direct taxes amount to 30—40 per cent. of every marginal increment in income.

It may actually be questioned whether the structure of society has not changed so radically since the time of Karl Marx, that the traditional struggle between capitalists and wage-earners is now being continuously replaced by a fight not less bitter between the relatively few experts and the large mass of non-experts.[1] There can hardly be any doubt that the experts as a group are replacing the capitalists in importance, both in Sweden and in several other countries. The time is passed, when enterprising, gifted and ambitious persons could collect considerable wealth by the force of their own capacity. Every time the large existing fortunes change owner by inheritance etc., the relative number of persons who at the same time are capitalists and experts is apparently being reduced. The capitalist class thereby loses more and more of its direct influence over the means of production, as nowadays capitalists without expert knowledge are powerless. The number of experts on the other hand is increasing day by day and so is their power, but what is impossible for the experts is to turn their power into incomes of the size required at the present rates of taxation if they are to get into the capitalist group.

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[1] James Burnham's interesting book "The Managerial Revolution" should be mentioned in this connection.

How the emergence of experts will affect the standard of living of the unqualified masses of workers depends partly upon how much the total production will be augmented by the increase in the number of experts, and partly upon how large incomes the experts can command. But the question as to whether the experts' emergence to a leading position in production is of advantage to those, who lack expert qualifications, is of no immediate bearing upon the mutual struggle between different social groups for material advantages; the value of various wage-earners' work can not be objectively determined. In any case trade unions may be expected to guard their members' interests by trying to obtain a maximum from the employers, who, in their turn, must use a similar method when selling their products.

It seems probable that this will contribute in making the struggle for higher wages more bitter. In free competition there are some self-adjusting forces which — although slowly — tend to create certain norms of remuneration for comparative services in different branches of industry. If these forces are weakened when competition is being restricted, the standardisation of wages between comparable labour groups and of the return of capital between different branches of production will apparently break down. A feeling of insecurity is thereby created, which may make it necessary for different social groups to fight bitterly and continuously against a deterioration of their position on the labour or commodity market.

It may go so far that no group can afford to show any moderation in its demands. In that case tough negotiators of the type used by certain American trade unions will be preferred to representatives of a more bashful character. In Sweden we are a little backward in this respect; the most prominent leaders of the Swedish labour movement are still very conscious of their responsibility to society as a whole.

It is an unfortunate fact that the cake at the consumers' disposal is not enlarged simply because the struggle for it becomes more bitter. The outcome will rather be a continuous increase of the general wage level, especially if the authorities are successful in their attempts to prevent unemployment. Depressions have previously caused a decrease in the wage level, which wholly or partly has counterbalanced the increase during booms. It is not impossible that a combination of strong trade unions and a permanent state of full employment would constitute a threat to monetary stability.

An increase in the wage level can not as such be expected to give rise to an improvement of the standard of living for wage-earners in general, At full employment and a roughly given rate of technical progress, the rate of increase of the total volume of consumption per head is fixed within narrow limits. The employees can hardly secure for themselves, by their struggle for higher wages, considerable advantages at the expense of the other social groups. At an unchanged input of work a certain group of employees therefore as a rule will be able to improve their standard of living only at the expense of employees in general.

The continuous upward adjustment of the general wage level is, so to say, the result of the strivings of different groups of employees each in its own town to raise their wages. In other respects these attempts of the various groups mainly cancel each other out, so that the net total result as to the standard of living is roughly zero. A continuous increase in wages of such dimensions that the value of the currency is gradually deteriorated seems to have no independent function; it can almost be characterized as a valueless or even a harmful by-product of the different social groups' struggle for a place in the sun.

But even if this is generally acknowledged and even if wage-earners and other employees admit that they really stand to gain, if the value of the currency is not undermined, the outcome need not be any alleviation of the struggle for higher wages as a means of securing a higher standard of living. It is probable that restraint on the part of the various employees' organizations presupposes some sort of agreement as to their attitude when negotiating wage agreements, etc. But the employees are a very heterogeneous social group, where the capacity of exploiting a given situation is very different for different sub-groups. Sub-groups in a strong strategical position cannot be expected to give it up for nothing. A co-ordination of the attitudes to wage questions between those organizations which are members of the Trade Union Federation, in the interest of the value of the currency, may be difficult to reach, amongst other things because non-member groups would be unduly favoured, if only the trade unions show moderation in their wage-claims.

Wage-earners could try to counter the above argument by saying that they have no guarantee of obtaining their fair share in the results of technical progress if they don't expose the employers to a constant press for higher wages. Only by this method can the employees, according to this opinion, prevent the employers from getting the whole yield of technical progress in the form of increasing profit margins. What is here overlooked is that the firms cannot fix their prices without regard to the amount of purchasing power in the hands of consumers — therefore the employees as a group can be pretty sure to receive part of the growing national income even at a constant nominal wage level. An increase of production per working hour at constant wage rates is usually accompanied by a corresponding decrease of the purchasing power available for each commodity unit, as wage payments constitute the overwhelming part of the consumers' effective purchasing power.

In the long run the price level of commodity goods will have a tendency to fall in a society with high technical progress and a constant wage-level. There is only one exemption to be made: at a high degree of monopolization the producers may take a greater interest in high prices than in a large turnover. In this case, however, the lack of responsiveness in commodity prices may have so strong depressive effects upon employment and production, that these effects become much more important to employees than the non-appearance of an increase in real wages.

EFFICIENCY OF INDUSTRIAL PRODUCTION IN SWEDEN

THE DEVELOPMENT DURING THE LAST QUARTER-CENTURY IN THE LIGHT OF STATISTICS

BY VIKING KÄLLSTRÖM, CHIEF ACTUARY

During the period after the first world war practically all branches of Swedish industry have undergone a rationalization which, in most cases, seems to have affected all stages of production. It is not the intention here to deal with the manifold forms and methods of this rationalization process, but merely to set forth and comment upon certain ascertainable results of the development in question. Though it would be of the greatest interest to throw light on the bearing of rationalization on the cutting-down of operation costs, the requisite figure material is unfortunately not available. On the other hand, with the aid of figures from the annual official statistics of industry, one can obtain a rough gauge of the effects of the rationalization, so far as they manifest themselves in larger production per unit of time.

For this purpose — partly with reference to an article on the Mechanization of Industry in the 2nd number of this periodical for the year 1927 — figures for the output of thirteen industrial products, or groups of products, have been combined with corresponding data for the number of hours of work. The results are tabulated below. Selection of the classes of goods has been restricted by the consideration that each commodity should not only be rather a well-marked unit in itself, but should also be representative of the corresponding branch of production.

In the computation of the hours of work, regard has been paid only to those groups of personnel who are designated in the official statistics as "factory workers proper", thus excluding stock and transport workers, mechanics and stokers, watchmen, etc. There is reason to presume that, owing to the more precise instructions given to suppliers of information on the subject, the relation between these two main groups of personnel in course of time has shifted somewhat. The tendency seems to have been to reduce the proportion of factory workers proper, by classifying certain groups of personnel more consistently than before under other categories, such as stock workers, etc. If so, the figures show a somewhat greater increase in the output per working hour than corresponds with the actual facts.

The calculations are based on four different years, namely 1920, 1929, 1936 and 1943. The first-mentioned year may be considered to represent the boom after the end of the first world war — it is represented also in the above-mentioned investigation of 1927 —, whilst 1929 is a peak year after the revival during the nineteen-twenties. The year 1943 received its character from the blockade during the second world war, and is also the last year for which complete industrial statistics are at present available. The year 1936, midway between 1929 and 1943, may be regarded as an average year during the period of recovery from the severe depression at the beginning of the nineteen-thirties. — As regards the wallboard industry, it should be noted that it was founded in 1929, but that the figure returned for that year actually relates to 1930, when, however, merely two plants of that kind had been brought into operation.

Class of goods	Output per hour of work				Increase or decrease in %		
	1920	1929	1936	1943	1920—29	1929—36	1936—43
Iron ore . . . . kg	235	555	913	712	+136	+ 65	−22
Coal (and refr. clay) . . . . »	119	165	293	317	+ 39	+ 78	+ 8
Cement . . . . »	93	219	469	620	+135	+114	+32
Wallboards . . »	—	11	29	41	—	+164	+41
Woodpulp . . »	30	52	104	81	+ 73	+100	−22
Paper and pasteboard . . . . »	16	26	38	33	+ 62	+ 46	−13
Flourmill products . . . . »	82	119	128	123	+ 45	+ 8	− 4
Margarine . . . »	14	36	36	48	+157	± 0	+33
Cotton tissues . »	0.82	1.03	1.31	1.01	+ 26	+ 27	−23
Woollen tissues . »	0.66	0.63	0.75	0.89	− 5	+ 19	+19
Boots and shoes pair	0.37	0.34	0.41	0.40	− 8	+ 21	− 2
Fertilizers . . . kg	111	197	559	635	+ 77	+184	+14
Matches . . . . »	2.5	4.0	5.2	5.1	+ 60	+ 30	− 2

It is seen that as regards all the classes of goods included in the table, the output per hour of work has increased since 1920. In studying the course of development, however, marked deviations are found both during the period as a whole and during its different stages. It is noteworthy that the rate of increase in production has throughout been considerably slower after the year 1936 than before it. This seems to be due mainly to the self-evident fact that the greater the rationalization of production, the less remains to be done in that way, but also, in some measure, to the probability that the industrial apparatus, broadly speaking, had been less completely utilized during the blockade. Most of those who have dealt with industrial statistics have in fact found that, when business is curtailed, the number of working hours — at any rate to begin with — does not fall in the same degree as the volume of production. In fact, as regards about half of the classes of goods included in the table, the figures show a reduced output per hour from 1936 to 1943.

On surveying the entire period from 1920 to 1943, it will be noted that the output of cement and fertilizers per hour has been approximately six or seven times larger, whereas, for example, the increase in the production of boots and shoes has been quite insignificant. It should, however, be pointed out that, whereas the official statistics for 1920 include 154 boot factories, the number given for 1943 is no less than 271 — possibly in part due to somewhat more complete returns — whereas the number of workers in those years was 9,670 and 8,650, respectively — thus a decrease. Especially the manufacture of children's shoes is largely carried on at undertakings that, though they are well represented in industrial statistics, may rather be placed in rank with handicraft. A weeding-out of minor, ineffectively working establishments is doubtless the explanation of the increase of output per working hour that has taken place in the margarine industry, despite the curtailment of the production during the war. — It is noteworthy that the output per hour in the "heavy" woodpulp industry, which had been organized from the outset for large-scale operations, has been more than trebled. This, however, as in the case of cement production, seems to be mainly due to the establishment of large plants with very effective equipment, whilst smaller undertakings, working under less favourable conditions, have been closed down or modernized.

The figures given in the above table for the output per hour of work in themselves indicate the importance and extent of the well-known process tending towards the ever increasing mechanization of industrial production, which has been such a characteristic feature of the last few decades, also in Sweden. So far as this development is still proceeding in our days, it can be largely accounted for by the embarrassing shortage of personnel. Now, as before, another important motive for most industrial investments in machinery, etc., may be considered to be the endeavour to replace expensive human labour by mechanical power, whilst attaining an increase in the volume of production per unit of time, and thus a cutting-down of operation costs. The reduction of staff is facilitated by replacing older machines etc. with ones that are more effective and more easily operated, as well as by installing mechanical appliances for stages in the production where they had not previously been employed.

As an illustration of the continuous advance of the mechanizing process in Swedish industry as a whole, it may be mentioned that, whereas in 1920 the average number of horse-power units per worker (here, as in the sequel, inclusive of stock and transport workers, etc.) was not more than 3.3, the figure had risen by the year 1943 to 5.8, or by about three-fourths. As might have been expected, the pace has slowed down somewhat with the passage of the years. During the period 1920—1929 the increase was 24 per cent., in the years 1936—1943 merely 16 per cent.

The advance of the mechanizing process is shown in greater detail in the subjoined tabular summary, giving figures for the effective horse-power units per worker in the thirteen branches of industry corresponding to the classes of goods in the above table.

	Horsepower units per worker				Increase or decrease in %		
	1920	1929	1936	1943	1920—29	1929—36	1936—43
Iron ore mines . .	7.7	9.0	12.7	16.4	+17	+ 41	+ 29
Coal mines	1.4	2.4	6.2	4.6	+71	+158	− 26
Cement factories . .	8.5	12.6	22.7	33.4	+48	+ 80	+ 47
Wallboard factories	—	21.1	15.2	26.4	—	− 28	+ 74
Pulp mills	9.7	14.9	22.9	31.3	+54	+ 54	+ 37
Paper mills	10.6	15.7	21.5	26.8	+48	+ 37	+ 25
Flour mills	19.7	22.1	25.9	27.9	+12	+ 17	+ 8
Margarine factories	3.7	6.0	5.9	12.3	+62	− 2	+108
Cotton mills . . .	2.7	2.8	3.2	4.1	+ 4	+ 14	+ 28
Woollen mills . .	2.5	2.5	2.5	3.7	± 0	± 0	+ 48
Boot factories . . .	0.4	0.5	0.5	1.0	+25	± 0	+100
Fertilizer factories .	3.7	5.1	6.2	8.7	+38	+ 22	+ 40
Match factories . .	1.0	1.3	2.5	3.3	+30	+ 92	+ 32

Also as regards mechanization — illustrated in the above schematic way —, the production of cement, as we see, holds a leading position, the number of horse-power units being nearly quadrupled from 1920 to 1943. Among the industries coming next in succession we may mention, for example, the match factories, the margarine factories, the pulp mills and particularly the coal mines. As regards the latter, we note the peculiar fact that since 1936 the relative importance of mechanical power has markedly diminished. This is connected with the establishment, during the commercial blockade entailed by the war, of a number of minor so-called "freebooter" mines with more primitive mining methods than those adopted in the Höganäs Company's mines. That as regards the latter, the thorough rationalization of the operations which was introduced in the nineteen-thirties has continued is indicated by the fact that, despite the establishment of the above-mentioned small mines during the war, the output of coal and refractory clays per working hour, as shown in the preceding table, was somewhat larger in 1943 than in 1936.

It has previously been indicated that the mechanization process has some connection with the increased cost of human labour. To what extent manual labour can profitably be replaced by mechanical obviously depends not only on the level of wages, but also on the nature of the work, etc. It is therefore by no means easy, on the basis of the official statistics, directly to show the connection in question. If we study the wage trend during the period 1929—43 in different groups of industries, it will indeed be found that the increases in wage rates had been relatively largest for the chemical industry as well as for the earth and stone industries, among which the greatly mechanized match factories and, respectively, the cement works and coal mines are included. Next after the said two groups, however, the rise of the wage level was most marked in the textile industry, where the mechanization since 1929 had not been particularly noticeable. It should nevertheless be observed that the mechanization in the last-mentioned branch, just as *e. g.* in the boot industry, seems to have been incomparably most intensive during the very period when wage rates had risen highest, namely at the end of the nineteen-thirties and the beginning of the 'forties.

There is presumably some connection between the greatly raised level of wages for female textile workers in particular and the fact that a relatively smaller number of women than before are now employed, at any rate in the weaving mills. In Swedish industry as a whole, however, the relative importance of female labour has increased, namely from 18 or 19 per cent. of the whole number of workers in the nineteen-twenties to 22 per cent. in 1943. At the same time the proportion of workers under 18 years of age has been reduced from nearly 12 to 8.5 per cent. The tendency reflected in these figures seems in fact to be that certain industrial work which had previously been performed manually by adult male or by juvenile labour has, in course of time, come to be largely executed by machines which can advantageously be operated by adult women — while the output per working hour has been greatly increased.

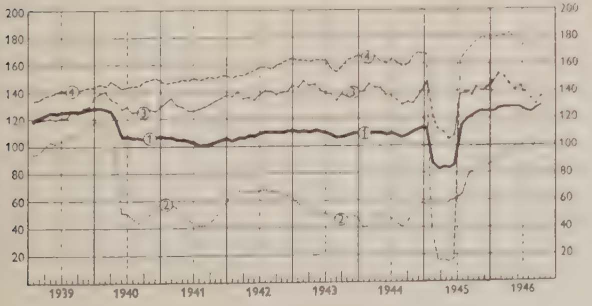
THE ECONOMIC SITUATION DURING THE FOURTH QUARTER OF 1946

The General Situation. No immediate relaxation of the strain on the Swedish economy can be expected in the new year. The rationing of the principal foodstuffs is expected to last until the autumn, fuel difficulties seem likely to be protracted, even if less severe, and the supply of labour and certain industrial goods is insufficient. Uncertainty with regard to the monetary development has resulted in competition on the part of buyers for the placing of orders. The consequent amassing of orders entails that the boom is unnecessarily fanned and the scarcity of labour and raw materials is increased still further. New investments in buildings and machines are being made not only by industries, farmers and property-holders but also by state and municipal authorities and institutions, harbours and power-plants. This re-equipment of the machinery of production and distribution is not only caused by the replacements neglected during the war years but also by the fear of an inflation. Especially for industry considerations with regard to taxation play in and also the necessity of preparing for the execution of deliveries in accordance with trade agreements with other countries. These investments have in their turn increased the demand for workers and dwellings in industrial centers. A more rigorous state control over investments and especially building has been enforced.

Foreign trade is characterised by an import surplus, which is making too heavy inroads on the supply of foreign exchange without giving full compensation for, amongst other things, the peace time import of coal fuel and iron. During the first half of July last year, when the appreciation of the krona took place, the value of the Riksbank's holding of gold and foreign exchange decreased by 218 million kronor. From that time up to the middle of December the decrease was 719 million kronor, or more than 140 million kronor a month. The holding of gold and foreign exchange had, one week before Christmas, shrunk to 2,036 million kronor; of this, however, certain foreign exchange is not freely available and other amounts are earmarked for the payments undertaken in accordance with the Washington agreement concerning previous German assets. Earlier during the discussion of the development of the

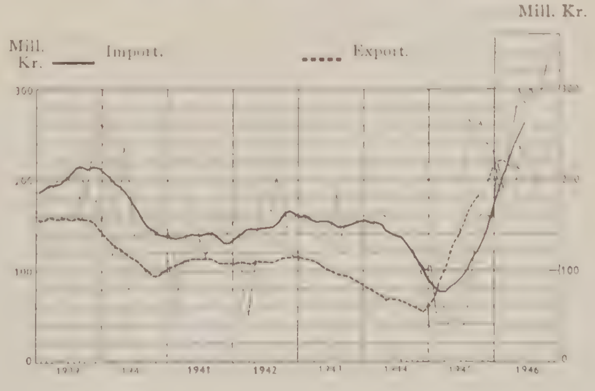
Federation of Industries Production Index.
(1935 = 100.)

1. General Index.
2. Pulp and Paper Industries.
3. Iron and Steel Industry.
4. Engineering Industry.



Foreign Trade. (*Million Kr.*)

(Thick lines denote current 12-month averages.)



balance of payments, the idea of import control was brought up by a member of the government. This immediately had the undesirable result that considerable forward purchases of foreign exchange took place on the unwarranted assumption that a devaluation of the Swedish krona was contemplated.

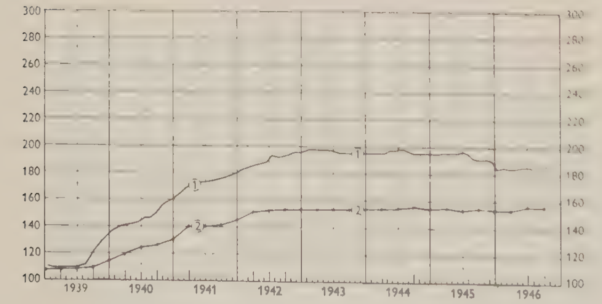
At the same time already existing state controls, such as the foreign exchange control and the price control have acquired a new significance. The foreign exchange control is now the real basis for the state's monopoly position in granting foreign credits, and the price control is the only remaining obstacle, preventing an inflationary increase of prices. This has engendered an "index mentality", which does not allow increases in costs either at home or abroad to provoke corresponding increases in prices for goods included in the cost of living index, thus sometimes impeding the supply of these goods.

From the point of view of the commercial banks, the development has been seen in an increased demand for credit and a tendency towards stiffening long term interest rates. For the first time since the middle of 1941, the banks' deposits and advances showed, in November last year, a surplus of advances of 144 million kronor, while a year earlier there was a deposit surplus of 1,056 million kronor. The change in the situation depends partly on the fact that especially the forest industries need larger business capital, because of the increase in prices of the raw material, and partly on the present possibly too voluminous investment activity. The latter has also caused unusually large issues of shares and bonds and probably also led to the placing of considerable loans with insurance companies. Before the Christmas season, credit transactions in foreign trade have been larger. A sign of the greatly increased foreign commercial relations is that the number of travellers to and from abroad has been noticeably large during this usually calm period for tourist traffic.

It is estimated that industry and other city trades, during the six years 1940—1946, have received an additional labour force of 250,000 persons, of which some 135,000 have been placed in factory industry proper. Included in this is about 50,000 persons from each of the following groups, namely foreigners, new, young labour and previously unemployed. The remaining circa 100,000 persons have moved over from agriculture and domestic work. Because of the industrial expansion, this additional labour is however insufficient. The enterprises which are members of the Federation of Swedish Employers and which are estimated to employ about 500,000 persons, compute their shortage of labour at about 50,000 persons. The index for industrial production, published by the Federation of Swedish Industries, reached, during the autumn months, another maximum, which is somewhat above the 1939 level. In reality the increase in production from the time before the

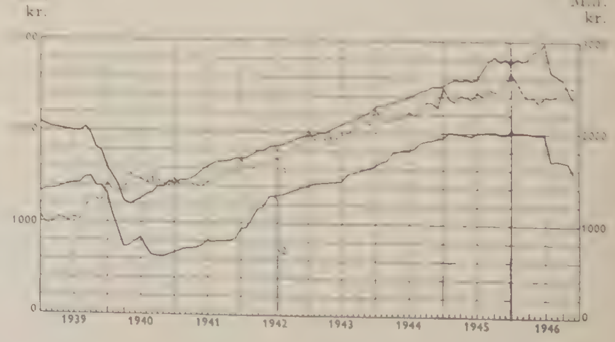
Wholesale Price and Cost of Living Indices.
(1935 = 100.)

1. Wholesale Price Index.
2. Cost of Living Index.



The Riksbank's Note Circulation and Gold and Foreign Exchange Holdings. (Million Kr.)

1. Note Circulation.
2. Gold Stock (Market value).
3. Net Claims on Foreign Countries.



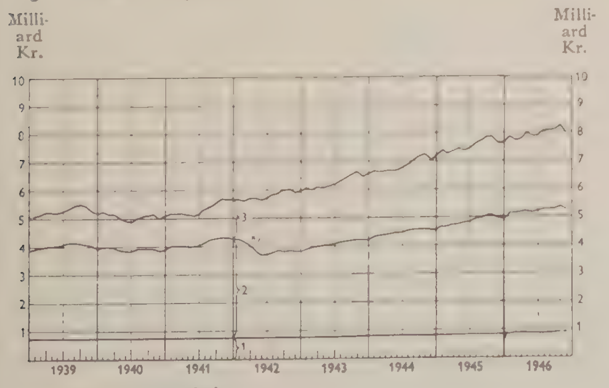
war should be some ten or twenty per cent. The greatest increase is in the machine, iron and steel industries. In spite of a scarcity of raw material and a need of increasing the present labour force, some 32,000 workers, by a further 2,000 or 3,000 persons, the iron industry has succeeded in replacing, to a considerable extent, the cessation of the important import from Germany. In spite of an improvement also in import, the low supply of iron is still one of the bottle-necks which will probably cause a decrease in building activity during the new year.

The total foreign trade (import + export) showed a record value during the first 11 months of last year, being not less than 5.33 milliard kronor. It should however be remembered that according to the official statistics, import and export prices have increased by not less than 130 resp. 80 per cent. since 1938.

	Imports	Exports	Surplus of exports (+) or of imports (—)
	Million kronor		
Jan.—Nov. 1938	1,878	1,672	— 206
» » 1939	2,231	1,724	— 507
» » 1940	1,851	1,217	— 634
» » 1941	1,517	1,232	— 285
» » 1942	1,610	1,194	— 416
» » 1943	1,688	1,073	— 615
» » 1944	1,563	753	— 810
» » 1945	928	1,524	+ 596
» » 1946	3,039	2,292	— 747

Capital Funds and Deposits of the Commercial Banks. (Milliard Kr.)

1. Capital Funds.
2. Long-term Deposits.
3. Demand Deposits.



×) Interest Differentiation.

In comparison with the previous year, imports last year increased continually, if regard is had to the seasonal variations while exports have receded, as is seen from the following comparison:

	Imports		Exports	
	Million kronor			
	1945	1946	1945	1946
January—June	363	1,483	293	1,170
July—November	565	1,557	1,231	1,122

The export of a number of commodities has been kept down by a shortage of fuel and a strong demand at home. The appreciation of the krona has, of course, generally tended to put a premium on imports and to restrain exports. New trade agreements for certain commodities have only been made on a small scale as a result of the actual maximum prices for exports. The development of the Riksbank's holding of gold and foreign exchange during the last few months is seen in the following table:

Mill. kr.	29/6	15/7	30/9	31/10	30/11	14/12
Gold (market value)	1,985	1,710	1,698	1,690	1,534	1,471
Net claims on foreign countries (book value)[1]	988	1,045	880	768	747	565
	2,973	2,755	2,578	2,458	2,281	2,036

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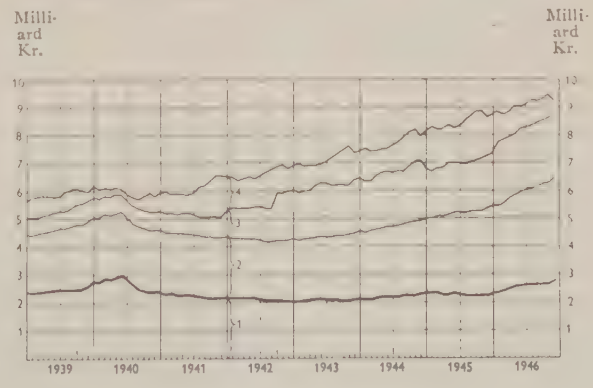
[1] The above-mentioned net claim is the balance of the items included in determining the secondary note cover. The Riksbank, moreover, shows about 100 million kronor in other foreign assets.

Investments of the Commercial Banks. (Milliard Kr.)

1. Shares, Bills and Loans. (Exclusive of Advances against Mortgages and Bonds.)
2. Mortgage Loans.
3. Bond Investments and Advances on Bonds.
4. Cash and Treasury Bills.



During the time up to the end of last year's third quarter, the deposits at banks and credit institutes showed a sharp increase. Commercial banks, Savings banks and the Post Office savings bank, as well as agricultural credit institutes have seen, since 1938, their total deposits increase by 6.3 milliards, or by 75 per cent., and during the twelve month period September 1945—September 1946 by nearly 900 million kronor or 6.5 per cent.

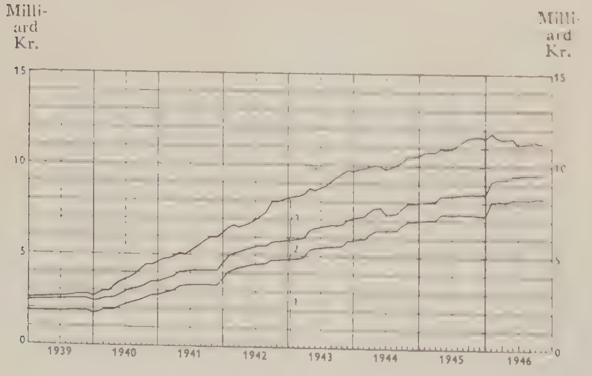
Deposits in banks and in agricultural credit institutes in Sweden (Mill. kr.)

	31/12 1938	30/9 1945	29/6 1946	30/9 1946
Commercial Banks . .	4,041	6,828	6,851	7,054
Savings Banks . . .	3,685	5,434	5,835	5,900
Post Office Savings Bank.	618	1,393	1,491	1,554
Agricultural Credit Institutes	59	190	218	228
Total	8,403	13,845	14,395	14,736

The increase in deposits has been less marked during the fourth quarter while at the same time the demand for credit has increased more quickly. Deposits in commercial banks had even decreased by about 160 million kronor during September—November and the advances increased by 300 million kronor. During the 12 month period November 1945—November 1946 a structural change took place in the commercial banks' business, advances having increased by not less than 1,411 million kronor. This was made possible because the portfolio of bonds and Treasury bills had decreased by 864 millions and deposits and net liabilities abroad had increased by 211 and 253 million kronor, respectively.

The Government Debt. (Milliard Kr.)

1. Bond Loans.
2. Other Funded Debt.
3. Floating Debt.



Position of Commercial Banks.

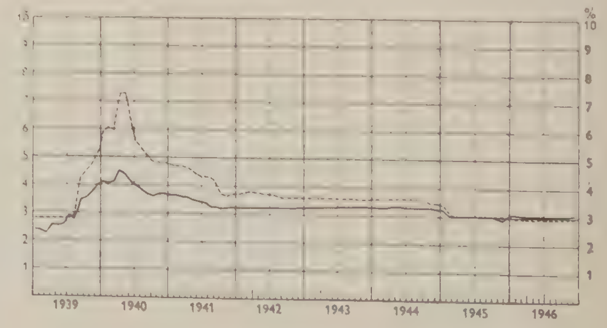
Assets (in mill. kr.)	1945 Nov.	1946 Aug.	Sept.	Oct.	Nov.
Cash	240	325	371	423	243
Treasury bills	1,198	485	400	399	256
Swedish bonds	1,095	1,243	1,246	1,220	1,173
Advances in Sweden . .	5,630	6,652	6,746	6,849	7,041
Assets abroad	198	132	131	135	142
Sundry accounts	573	635	654	649	700
Total	8,934	9,472	9,548	9,675	9,555
Thereof, Swedish bonds and treasury bills . . .	2,293	1,728	1,646	1,619	1,429
Liabilities (in mill. kr.)					
Deposits in Sweden . . .	6,686	7,029	7,054	7,146	6,897
Liabilities abroad	371	526	553	578	568
Share capital and reserve funds	827	876	876	901	901
Sundry accounts	1,050	1,041	1,065	1,050	1,189
Total	8,934	9,472	9,548	9,675	9,555

Foreign Exchange Market. No changes in exchange rates have taken place during the last quarter, except that for the Argentine peso, which has been reduced from 90.25 to 89.50. Since a new trade agreement with Switzerland came into force at the beginning of November, the supply of Swiss francs has covered the demand, which was not previously the case. There has been a strong demand for all foreign currencies during the whole quarter.

Stock Market. The lull on the Stock Exchange during the summer months was followed in October by a slight recovery with somewhat higher quotations. Contributory causes were the partial relaxation of the price control in the U. S. A., the

Bond Yields.

— 3 % Government Bonds.
--- 3 % Industrial Bonds.



Share Index.	1939	1940	1941	1942	1943	1944	1945				1946					
	Jan.	Jan.	Jan.	Jan.	Jan.	Jan.	Apr.	July	Sep.	Dec.	Apr.	July	Sep.	Oct.	Nov.	Dec.
Home industries	175	145	148	166	168	168	190	192	198	183	195	200	192	193	193	194
Other industries	171	130	155	178	188	195	230	228	228	214	241	238	230	230	233	237
Of which																
Grängesberg Company	191	131	155	189	191	190	220	212	215	188	220	228	235	237	243	251
Exporting engineering industries	195	133	161	187	191	209	240	242	244	224	251	252	242	241	244	253
Other, including iron and steel ind.	181	138	170	188	188	181	206	205	208	199	218	223	220	218	216	209
Wood-goods and pulp ind.	124	104	119	135	153	160	204	195	194	187	212	217	208	207	210	215
Combined wood and iron ind.	200	184	211	250	278	288	338	345	332	319	366	301	284	286	289	296
Banks	192	143	156	169	178	190	224	220	232	223	238	246	232	230	232	232

Note. Where not otherwise stated, the figures are for the middle of the month.

prospect of good results generally for the year's activity and the expectation of advantages to certain concerns from the Russian trade agreement. Reports of more favourable prospects for shipments of iron ore increased the interest for the Grängesberg Company shares, which were paid up to 255 kronor. An increased demand for wood and pulp industries was stimulated at the beginning of November by the compromise with regard to the maximum prices for the export.

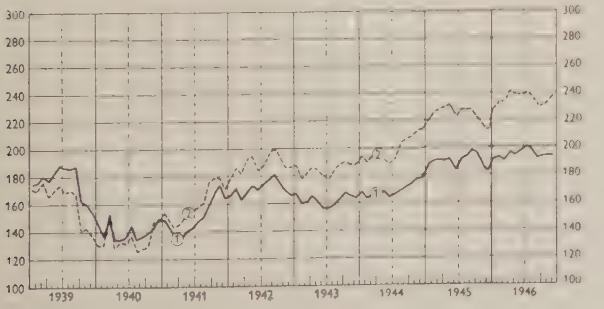
The threatening inflation, the danger of increased taxation and the prospect of extensive wage conflicts are however the factors which above all have characterised the Stock Exchange during the autumn months. The small turnover of shares in October and November shows, however, that buyers have been undecided and cautious. In December it seemed probable that no measures on the part of the government against a threatening inflation were imminent and capital for investments returned to a larger extent to the stock market, which before Christmas stiffened noticeably with improving quotations and a large turnover throughout.

A. B. Custos has decided to increase their share capital by 7.1 million kronor by a new issue at par. The shareholders are entitled to subscribe to 1 new share for every 4 held. A. B. Bofors has decided on a new share issue of nominally 8.25 million kronor at 120 per cent. One new share may be subscribed to for every 3 held.

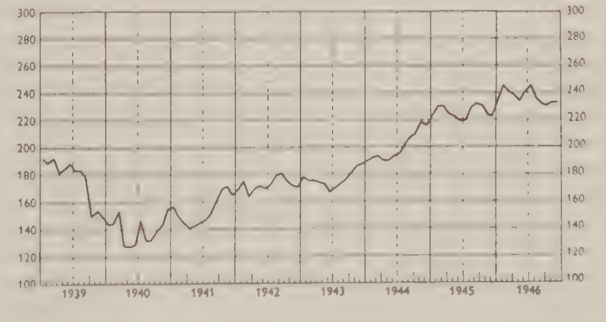
Bond Market. The stagnation of the large Government borrowing meant that the volume of bonds in circulation during last year's second and third quarters had on the whole remained unchanged, or at nearly 12 milliard kronor. Government bonds amounted to about 8.2 milliards and

Industrial Share Indices.

1. Home Market Industry.
2. Other Industry.



Bank Share Index.



the loans of mortgage banks and societies to somewhat more than 2.5 milliards, while municipal and industrial loans were about 550 and 600 million kronor respectively. 114.5 million, or 95 per cent., of the 1936 120 million lottery bond loan have been converted into a new lottery bond loan, which by sales has been increased to 150 million. The Government's lottery loans have thereby reached a total of 1.12 milliard kronor or more than one-seventh of the Government's total bond loans.

Greater activity on the bond market was noticeable towards the end of last year. In October there was still little interest and quotations were hardly altered. In the following months a stiffening was noticeable on the money market, which was accentuated during November when taxes are paid, and considerable sales of bonds were made by industries and banks. The Riksbank seems to have made considerable purchases to support the market and its portfolio of Swedish treasury bills and bonds increased by 310 million kronor between the end of October and the middle of December. In spite of this a weakening of the quotations of gilt-edge long term bonds took place. In consequence of the altered situation on the market the offer for conversion of the 3 per cent. Government loan of 1941, of which about 323 million kronor was in circulation, met with a less favourable reception than was expected. The offer was for the conversion into a 3 per cent. 46-year loan and 3 months' Treasury bills at $^1/_2$ per cent. interest. By the end of the conversion period subscriptions to the new bond loan amounted to 70 million kronor and Treasury bills had been taken to the amount of 100 million kronor.

A noticeable increase has taken place in industrial issues of new bonds, which, however, to a considerable extent, have been placed directly with insurance companies etc. The loans issued on the market have quickly been fully subscribed. The most important transactions are given in the following table.

Issued by	Interest rate in %	Amount in mill. kr.	Issue price in %
Swedish Government	3	[1]	100
City of Stockholm	3	[2] 75	100
The Swedish Cities' Mortgage Bank	3	[3]	100
Svanö AB	3	[4]	100
Höganäs—Billesholms AB. . .	3	15	100
Degerfors Järnverks AB. . . .	3	8	100
Husqvarna Vapenfabriks AB. .	3	[5] 10	100
AB. Stjernfors—Ställdalen . .	3	5	100
AB. Chokladfabriken Marabou	3	2,5	$99^1/_2$

The following loans have also been called without conversion:

Billeruds AB. $3\,^1/_2$ per cent. 1937 of 17.1 million kr..	on 15. 1. 1947
TelefonAB. L. M. Ericsson $3\,^1/_2$ per cent. 1937 of 7.6 million kr.	on 31. 1. 1947
AB. Stjernfors—Ställdalen $3\,^1/_4$ per cent. 1937 of 2.8 million kr.	on 1. 4. 1947
Norges Kommunalbank 5 per cent. 1930 of 16.8 million kr.	on 1. 6. 1947

Sydsvenska Kraft A. B. has decided to call on the 1st of March 1947 its $4^1/_2$ per cent. loan 1930, which was converted to a $3^1/_2$ per cent. interest rate in 1942.

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[1] In connection with conversion of the 3 per cent. loan $^{15}/_{12}$ 1941 of 323.3 million kronor. — [2] Thereof 35 million kronor offered. — [3] In connection with the conversion of the $3\,^1/_4$ per cent. loan 1937 of 52 million. — [4] In connection with $3\,^1/_2$ per cent. loan 1937 of 6 million kronor. — [5] In connection with conversion.

Some Statistical Data Concerning Sweden's Economic Position

Currency Reserve, Stock of Gold, Note Circulation.

	Net Claims of Banks on Foreign Countries million kronor (End of month)									The Riksbank's								
	Riksbank			Commercial banks			Total			Stock of Gold[1] (million kr.)			Stock of Gold and Net Claims on Foreign Countries[1] (million kr.)			Note Circulation (million kr.)		
	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946
Jan.	620	553	800	−146	−166	−266	474	387	534	1676	2006	2019	2296	2559	2819	2114	2333	2565
Feb.	626	585	771	−150	−178	−287	476	407	484	1686	1996	2019	2312	2581	2790	2061	2286	2441
March	566	575	805	−167	−167	−314	399	408	491	1770	1993	2009	2335	2568	2814	2057	2283	2396
I (Average)	**604**	**571**	**792**	**−154**	**−170**	**−289**	**450**	**401**	**503**	**1711**	**1998**	**2016**	**2314**	**2569**	**2808**	**2077**	**2301**	**2467**
April	559	604	897	−169	−159	−347	390	445	665	1791	1983	1998	2350	2587	2895	2087	2300	2404
May	564	601	916	−171	−163	−346	393	438	570	1808	1972	1988	2372	2573	2904	2069	2279	2337
June	570	580	988	−182	−153	−436	388	427	552	1813	2009	1985	2383	2589	2973	2138	2345	2397
II (Average)	**564**	**595**	**934**	**−174**	**−158**	**−376**	**390**	**437**	**596**	**1804**	**1988**	**1990**	**2368**	**2583**	**2924**	**2098**	**2306**	**2379**
July	600	690	967	−180	−157	−456	420	533	511	1829	2010	1693	2429	2700	2660	2123	2342	2388
Aug.	569	774	916	−175	−195	−394	394	579	522	1885	2013	1708	2454	2787	2624	2156	2382	2412
Sept.	562	814	880	−183	−183	−422	379	631	458	1907	2013	1698	2469	2827	2578	2223	2450	2513
III (Average)	**577**	**759**	**921**	**−179**	**−178**	**−424**	**398**	**581**	**497**	**1874**	**2012**	**1700**	**2451**	**2771**	**2621**	**2167**	**2391**	**2438**
Oct.	588	783	768	−179	−132	−442	409	651	326	1917	1993	1690	2505	2776	2458	2248	2474	2508
Nov.	563	817	747	−163	−173	−426	400	644	321	1939	1993	1534	2502	2810	2281	2226	2478	2497
Dec.	567	758	538	−162	−255		405	503		1943	2024	1371	2510	2782	1909	2375	2663	2720
IV (Average)	**573**	**786**	**684**	**−168**	**−187**		**405**	**599**		**1933**	**2003**	**1532**	**2506**	**2789**	**2216**	**2283**	**2538**	**2575**
Notes	The figures comprise balances with foreign customers and holdings of foreign bills and foreign bonds less amounts due to foreign customers									At end of month						Monthly averages		

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[1] The Riksbank holding of gold is given at its market value, other items at their book values.

Commercial Banks, Stock Exchange.

	Commercial Banks									Share Index						Shares sold on the Stockholm Stock Exchange (1000 kr.)		
	Deposits (million kr.)			Advances incl. bills rediscounted (million kr.)			Surplus of Deposits (million kr.)			Home Industries			Other Industries					
	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946
Jan.	5686	6398	6814	4635	5141	5981	1051	1257	833	168	188	192	195	220	228	474	1049	952
Feb.	5643	6304	6714	4688	5193	6120	955	1111	594	164	191	193	190	226	233	396	944	595
March	5680	6368	6768	4814	5206	6260	866	1162	508	165	191	190	196	227	233	505	777	601
I (Average)	**5670**	**6357**	**6765**	**4712**	**5180**	**6120**	**957**	**1177**	**645**	**166**	**190**	**192**	**194**	**224**	**231**	**458**	**923**	**716**
April	5690	6437	6898	4842	5305	6381	848	1132	517	167	190	195	197	230	241	476	682	725
May	5706	6377	6867	4864	5342	6493	842	1035	374	168	191	194	192	231	238	296	887	610
June	5769	6454	6851	4852	5362	6561	917	1092	290	164	184	196	188	223	237	364	679	850
II (Average)	**5722**	**6423**	**6872**	**4853**	**5336**	**6478**	**869**	**1086**	**394**	**166**	**188**	**195**	**189**	**228**	**239**	**379**	**749**	**728**
July	5900	6601	6992	4836	5346	6594	1064	1255	398	166	192	200	192	228	238	273	442	549
Aug.	6070	6704	7029	4886	5442	6652	1184	1262	377	169	193	198	204	228	236	551	544	516
Sept.	6192	6828	7054	4992	5458	6746	1200	1370	308	171	198	192	206	228	230	442	450	518
III (Average)	**6054**	**6711**	**7025**	**4905**	**5415**	**6664**	**1149**	**1296**	**361**	**169**	**194**	**197**	**201**	**228**	**235**	**422**	**479**	**528**
Oct.	6275	6877	7145	5042	5490	6849	1233	1387	296	174	196	193	207	222	230	362	543	483
Nov.	6112	6776	6897	5058	5630	7041	1054	1146	−144	177	185	193	212	214	233	536	512	578
Dec.	6212	6669		5121	5763		1091	906		179	183	194	213	214	237	557	479	1094
IV (Average)	**6200**	**6774**		**5074**	**5628**		**1126**	**1146**		**177**	**188**	**193**	**204**	**217**	**233**	**485**	**511**	**718**
Notes	Deposits from and loans to the public within the country (at the end of the respective month)									The figures denote mid-monthly average prices						Averages per Stock Exchange business day		

Rates of Interest and Price Level.

	Yield on Bonds (%)						Wholesale Price Index (Board of Trade) (1935 = 100)									Cost of Living Index (July 1914 = 100)		
	Govt. Loans			Industrial Loans			Import Goods			Export Goods			All Goods					
	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946
Jan.	3.31	3.25	3.05	3.57	3.39	3.02	298	287	253	208	208	207	195	195	185	240	241	241
Feb.	3.29	3.07	3.04	3.57	3.14	2.98	298	288	254	208	208	208	195	195	185	.	.	.
March	3.30	3.04	3.03	3.62	3.02	2.98	301	289	252	208	208	209	195	196	185	.	.	.
I (Average)	**3.30**	**3.12**	**3.04**	**3.59**	**3.18**	**2.99**	**299**	**288**	**253**	**208**	**208**	**208**	**195**	**195**	**185**			
April	3.33	3.04	3.03	3.62	3.01	2.98	297	290	248	208	207	210	195	196	185	241	242	241
May	3.33	3.04	3.03	3.62	3.02	2.98	293	289	248	208	205	212	197	196	185	.	.	.
June	3.32	3.05	3.03	3.60	3.02	3.00	291	289	249	208	205	215	197	197	186	.	.	.
II (Average)	**3.33**	**3.04**	**3.03**	**3.61**	**3.02**	**2.99**	**294**	**289**	**248**	**208**	**206**	**212**	**196**	**196**	**185**			
July	3.32	3.05	3.03	3.60	3.02	2.98	291	288	249	208	205	215	198	196	186	240	241	243
Aug.	3.31	3.05	3.03	3.57	3.01	2.98	291	262	250	208	205	211	197	194	185	.	.	.
Sept.	3.30	3.05	3.03	3.55	3.00	2.98	288	263	250	209	205	210	196	191	185	.	.	.
III (Average)	**3.31**	**3.05**	**3.03**	**3.57**	**3.01**	**2.98**	**290**	**271**	**249**	**208**	**205**	**212**	**197**	**194**	**185**			
Oct.	3.30	3.03	3.03	3.53	2.99	2.94	288	274	254	209	203	210	195	191	186	243	242	243
Nov.	3.29	3.03	3.03	3.49	2.92	2.94	288	276	255	209	202	211	195	191	190	.	.	.
Dec.	3.26	3.04	3.04	3.40	3.02	3.00	288	274		208	201		195	190		.	.	.
IV (Average)	**3.28**	**3.03**	**3.03**	**3.47**	**2.98**	**2.96**	**288**	**275**		**209**	**202**		**195**	**191**				
Notes	Calculated on market prices at middle of months															Refers to end of quarters		

Trade and Industry.

	Total Imports (million kr.)			Total Exports (million kr.)			Index of Production according to Feder. of Swed. Industries (1935 = 100)			Number of Unemployed Registered by Labour Commission			Waggon-axle Kilometres of loaded Trucks on State Railways			Unemployment in Trade Unions (%)		
	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946	1944	1945	1946
Jan.	122	106	219	47	26	199	108	114	125	15845	12088	8829	89.8	94.0	114.6	8.5	6.5	5.5
Feb.	156	52	189	62	31	165	109	88	127	17584	12862	8564	103.0	96.0	107.6	8.0	6.2	5.4
March	169	67	226	69	35	167	109	84	128	17272	13521	8118	114.0	106.3	119.2	7.2	5.9	4.6
I (Average)	**149**	**75**	**211**	**59**	**31**	**177**	**109**	**95**	**127**	**16888**	**12824**	**8504**	**102.3**	**98.8**	**113.8**	**7.9**	**6.2**	**5.2**
April	158	41	267	63	31	180	109	84	129	15660	12044	6534	102.9	95.5	111.2	5.5	4.5	3.2
May	164	48	299	73	44	237	108	84	129	11797	10021	4594	101.2	94.5	117.7	3.7	3.8	2.2
June	162	50	283	84	125	222	109	85	128	8790	7924	3487	100.7	97.2	103.6	3.2	3.5	2.1
II (Average)	**161**	**46**	**283**	**73**	**67**	**213**	**109**	**84**	**129**	**12082**	**9996**	**4872**	**101.6**	**95.7**	**110.8**	**4.1**	**3.9**	**2.5**
July	144	40	300	79	209	238	107	115	126	7313	5966	2704	101.6	100.6	107.1	2.9	3.2	2.2
Aug.	140	69	290	68	268	193	106	120	125	6790	5406	2308	108.4	108.6	115.3	2.8	3.1	2.1
Sept.	137	135	296	54	245	234	107	122	127	6828	5409	2430	108.4	112.8	113.4	2.9	3.0	2.0
III (Average)	**140**	**81**	**295**	**67**	**241**	**222**	**107**	**119**	**126**	**6977**	**5594**	**2481**	**106.1**	**107.3**	**111.9**	**2.9**	**3.1**	**2.1**
Oct.	102	162	327	56	267	238	110	124	129	7494	5842	2782	104.4	115.5	119.4	3.3	3.2	2.1
Nov.	109	160	345	98	240	220	112	125		8674	6757		104.0	113.4		4.2	3.9	
Dec.	101	157		77	234		113	125		11044	7296		96.4	103.5		7.2	6.7	
IV (Average)	**104**	**160**		**77**	**247**		**112**	**125**		**9071**	**6632**		**101.6**	**110.8**		**4.9**	**4.6**	
Notes							Seasonal change removed						Million kilom. per month			% of total members at end of month		

Stockholm 1947. Kungl. Boktr. P. A. Norstedt & Söner 464306

SKANDINAVISKA BANKEN

AKTIEBOLAG

Statement of Condition November, 30th, 1946

ASSETS.

Cash in hand	Kr.	55.027.936
Swedish Treasury Bills	»	176.300.000
Bills	»	235.349.789
Loans (secured)	»	875.372.734
Current Account (secured)	»	215.781.189
Banks and Savings Banks	»	99.023.619
Sundry Accounts	»	43.483.304
Bonds	»	318.134.703
Shares	»	82.070.994
Buildings, Furniture and Fittings	»	22.280.148
	Kr.	2.122.824.416

LIABILITIES.

Bills at sight in circulation (»postremiss» bills)			Kr.	22.186.070
Deposits: at sight			»	439.545.124
at notice			»	1.263.685.785
Banks and Savings Banks			»	139.994.093
Sundry Accounts			»	74.413.344
Share Capital	Kr.	95.708.000: —		
Reserve Funds	»	87.292.000: —	»	183.000 000
			Kr.	2.122 824.416

SKANDINAVISKA BANKEN

AKTIEBOLAG

GÖTEBORG STOCKHOLM MALMÖ

Offices and Branches:

Alsterbro
Anderslöv
Ankarsrum
Arboga
Arlöv
Asa
Askersund

Bengtsfors
Bettna
Billesholm
Björkvik
Boden
Boliden
Borgholm
Borås
Bromölla
Brålanda
Båstad
Bäckefors

Dalby
Dalsjöfors
Degerhamn

Ed
Eskilstuna
Eslöv

Falsterbo ($^{1}/_{6}$-$^{31}/_{8}$)
Flen
Färgelanda

Gamleby
Gnesta
Grythyttan
Grönskåra
Gustavsfors
Gärsnäs
Gävle
Gökalund
Göteborg
(7 local branches)

Hallsberg
Halmstad
Hällefors
Hälsingborg
Härnösand
Höganäs
Hörby

Järna

Kalmar
Karlshamn
Karlskoga
Katrineholm
Klippan
Kopparberg
Kristianstad
Kumla
Kungsör
Köping

Laholm
Landskrona
Lenhovda
Lessebo
Limmared
Lindesberg
Linköping
Loftahammar
Lomma
Luleå
Lund
Löderup

Malmköping
Malmö
(5 local branches)

Mariedam
Mariefred
Mellerud
Moheda
Målilla
Mörbylånga

Nora
Norrköping
Nybro
Nyköping
Nynäshamn

Oxelösund

Perstorp
Piteå

Ramkvilla
Renland
Råå
Rönninge

S:t Olof
Simrishamn
Sjöbo
Skelleftehamn
Skellefteå
Skivarp
Skurup
Smålands
Gällaryd
Solna
Sparreholm
Stallarholmen
Stjärnhov
Stockholm
(25 local branches)

Strängnäs
Svalöv
Söderhamn
Södertälje
Södra Vi
Sölvesborg

Teckomatorp
Tollarp
Torshälla
Trelleborg
Trosa
Tumba
Tuna
Tystberga

Ulricehamn
Umeå

Vagnhärad
Valla
Vaxholm
Vellinge
Vimmerby
Vingåker
Västervik
Växjö

Ystad

Åmmeberg
Åmål
Ånimskog
Åstorp

Älmhult
Ängelholm

Örebro
Örkelljunga
Överum